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EU-25

Oilseeds and Products

Update

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Report Highlights:
Oilseed production in the EU25 is reaching new record levels. 2006/07 rapeseed production is expected to reach 15.75 million MT, while sunflowerseed production should reach 4.14 million MT.

Continued low crush margin for soybeans relative to rapeseed is encouraging crushers to turn to multiseed crushings. This change is most pronounced in northern Europe where production of rapeseed is dominant, and where demand for rapeseed oil for biodiesel is increasing.

With growing demand for vegetable oils, imports of rapeseed oil from the US and Canada, and soyoil from Brazil have been particularly significant.

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Introduction

Oilseed production in the EU25 is again reaching new record levels, propelled by the demand for rapeseed oil from the biodiesel industry.

The demand for rapeseed, the most important oilseed in the EU, has encouraged expansion of rapeseed area. This increase has led to record rapeseed harvests over the last three years. However, despite these record harvests, demand for rapeseed has exceeded production, leading to increased rapeseed and rapeseed oil imports in the EU.

Because of continued low crush margins for soybeans relative to rapeseed, more and more crushers are turning from soybeans to multi-seed or rapeseed crushing. However there is a difference between Northern and Southern Europe. In Northern Europe where most of the rapeseed is grown, there is an increased focus on rapeseed crush and consumption. In Southern Europe, mainly Italy, Spain and Portugal, an increase in soybean use is expected, where there is a growing interest in soybean oil based biodiesel production. Plans are currently underway to expand crushing and processing facilities in this region.

Production 2006

EU25 rapeseed production in 2006 is estimated to reach 15.748 million MT, an increase of 587,000 MT since our last projection in May.

Eurostat and Oilworld estimates diverge significantly. Eurostat predicts that the EU will have the largest ever rapeseed harvest in 2006, with production likely to reach 16.2 million tons. This would be an increase of 26 percent on the average for the last five years.

Oilworld estimates 2006 production at 15.5 million tons. This would be a decrease of 3 percent from the 2005 harvest despite an increase in the area.

COCERAL suggests that total 2006 oilseed production could rise to 20.53 million tons from 20.09 million last year. The EU25 rapeseed crop would increase to 15.68 million tons from 15.46 million in 2005. Sunflower production would increase to 3.93 million tons from 3.79 million previously.

Rapeseed

EU25 Rapeseed (1000MT)						
	2004/05		2005/06		2006/07	
	USDA Official	Posts estimates	USDA Official	Posts estimates	USDA Official	Posts estimates
Calendar Year Begin	07/2004		07/2005		07/2006	
Area	4,500	4,500	4,738	4,766	5,087	5,127
Beginning Stocks	227	573	1,606	1,617	1,952	2,122
Production	15,336	15,286	15,396	15,420	15,591	15,748
Extra EU25 imports	107	105	450	423	370	660
TOTAL SUPPLY	**15,670**	**15,964**	**17,452**	**17,460**	**17,913**	**18,530**
Extra EU25 exports	200	186	212	205	100	70
Crush	12,924	13,121	14,324	14,284	16,120	16,318
Food Use	0	0	0	0	0	0
Feed, Seed, Waste	940	1,040	964	849	815	872
TOTAL Use	13,864	14,161	15,288	15,133	16,935	17,190
Ending Stocks	1,606	1,617	1,952	2,122	878	1,270
TOTAL DISTRIBUTION	**15,670**	**15,964**	**17,452**	**17,460**	**17,913**	**18,530**

Source: FAS

EU25 Rapeseed Oil (1000 MT)						
	2004/05		2005/06		2006/07	
	USDA Official	Posts estimates	USDA Official	Posts estimates	USDA Official	Posts estimates
Calendar Year Begin	07/2004		07/2005		07/2006	
Crush	13015	13,121	14,250	14,284	16,120	16,318
Extraction Rate	0.412	0.410	0.417	0.410	0.415	0.410
Beginning Stocks	152	152	200	353	190	200
Production	5365	5,377	5,945	5,767	6,690	6,603
Extra EU25 imports	38	37	335	264	500	540
TOTAL SUPPLY	**5,555**	**5,566**	**6,480**	**6,384**	**7,380**	**7,343**
Extra EU25 exports	125	92	75	85	75	72
Industrial	2598	2,455	3,600	3,680	4,700	4,849
Food Use	2626	2,661	2,610	2,415	2,415	2,221
Feed, Seed, Waste	6	5	5	4	25	4
TOTAL Use	5,230	5,121	6,215	6,099	7,140	7,074
Ending Stocks	200	353	190	200	165	197
TOTAL DISTRIBUTION	**5,555**	**5,566**	**6,480**	**6,384**	**7,380**	**7,343**

Source: FAS

EU25 rapeseed production is again reaching record levels, boosted by the demand for biodiesel in the EU. Rapeseed production for 2006/07 is now estimated at 15.748 million MT, as planted area is larger than previously expected. However, yield per hectare is slightly lower than expected due to adverse weather conditions this year.

Crushing of rapeseed also increased. Currently the crushing is expected to be 16.318 million MT, an increase from earlier forecast. This increase is caused by the demand for rapeseed oil for biodiesel, and made possible by a strong increase in imports of rapeseeds. Australia was the largest provider of rapeseed last year, however it is unlikely that Australia will be sending any rapeseed to the EU this year given the short crop resulting from their recent drought. This leaves the principle suppliers for EU rapeseed imports being the Ukraine, Russia, Romania (that enters the European Union on January 1, 2007) and Croatia. Estimations are that about 2/3 of the rapeseeds produced in the EU are currently crushed for biodiesel production.

Germany

The 2006 German winter rapeseed crop is projected at 5.269 million MT. This is significantly higher than the earlier forecast of just below 5 million MT. With a summer rapeseed crop at approximately 45,000 MT, the total German rapeseed crop would be 5.3 million MT. The warm and dry summer weather has negatively affected yields primarily in East Germany, while other states were able to increase their yields. For Germany as a whole, average yields were only marginally reduced from 3.78 MT/ha in 2005 to 3.75 MT/ha in 2006.

France

The French rapeseed yields have been hurt by the drought in June and July, resulting in significantly lower production than expected. The heat wave, combined with the longer and colder winter, which shortened the window for blossom, negatively affected yields from 3.65 MT/ha in 2005, to 3 MT/ha in 2006. With acreage up from 1.23 million ha in 2005 to 1.36 million ha in 2006, French rapeseed production is estimated to decrease to 4 million MT. Rapeseed acreage recently sown and to be harvested in 2007 is estimated to have increased by 8 to 10 percent.

Poland

In Poland production is estimated at 1.6 million MT, an increase of 9.3 percent over last year, and 34 percent more than the 2001-2005 average production. While total rapeseed area increased 13.4 percent since 2005, Poland's per hectare yield has decreased from 2.63 tons per ha in 2005 to 2.54 tons per hectare. The decrease is due to the late arrival of the spring resulting in shorter growing season together with the dry conditions in June and July. The area planted for harvest in 2007 has increased by 15 percent due to favorable prices on rapeseed during the planting period.

Czech Republic

In the Czech Republic the total production for 2006 will reach 885,000 MT, which is 15 percent above last years production and 30 percent over the earlier forecast. The area planted with rapeseed has increased by 9.3 percent since 2005.

Hungary

Also in Hungary there was a record harvest of rapeseed this year. The winterkill was moderate and the area planted was 15 percent above the average of the last years, which resulted in a crop of 331,000 MT. The area planted for harvest in 2007 has exceeded the harvested area in 2006 by more than 60 percent. Yields of rapeseed in Hungary are low by international comparisons and the profitability is uncertain. High rapeseed prices increased the farmers interest in rapeseed production.

Soybeans

Soybeans (1000 MT)						
	2004/05		2005/06		2006/07	
	USDA Official	Posts Estimates	USDA Official	Posts Estimates	USDA Official	Posts Estimates
Calendar Year Begin	10/2004		10/2005		10/2006	
Area	272	272	311	282	317	323
Beginning Stocks	900	700	884	939	940	814
Production	786	801	862	874	917	950
Extra EU25 imports	14,638	14,232	13,800	13,688	14,137	13,933
TOTAL SUPPLY	**16,324**	**15,733**	**15,546**	**15,501**	**15,994**	**15,697**
Extra EU25 exports	11	8	13	19	12	14
Crush	13,995	13,548	13,175	13,558	13,670	13,886
Food Use	109	120	110	120	110	120
Feed, Seed, Waste	1,325	1,118	1,308	990	1,272	893
TOTAL Use	15,429	14,786	14,593	14,668	15,052	14,899
Ending Stocks	884	939	940	814	930	784
TOTAL DISTRIBUTION	**16,324**	**15,733**	**15,546**	**15,501**	**15,994**	**15,697**

Source: FAS

EU25 Soyoil (1000MT)						
	2004/05		2005/06		2006/07	
	USDA Official	Posts Estimates	USDA Official	Posts Estimates	USDA Official	Posts Estimates
Calendar Year Begin	07/2004		07/2005		07/2006	
Crush	13,995	13,548	13,175	13,558	13,670	13,886
Extraction Rate	0.178	0.179	0.176	0.179	0.176	0.179
Beginning Stocks	180	215	196	191	196	190
Production	2,505	2,429	2,360	2,425	2,450	2,480
Extra EU25 imports	163	163	675	378	925	640
TOTAL SUPPLY	**2,848**	**2,807**	**3,231**	**2,994**	**3,571**	**3,310**
Extra EU25 exports	514	501	250	254	250	250
Industrial	400	398	1,070	812	1,380	1,150
Food Use	1,618	1,550	1,586	1,557	1,600	1,573
Feed, Seed, Waste	120	167	129	181	134	187
TOTAL Use	2,138	2,115	2,785	2,550	3,114	2,910
Ending Stocks	196	191	196	190	207	150
TOTAL DISTRIBUTION	**2,848**	**2,807**	**3,231**	**2,994**	**3,571**	**3,310**

Source: FAS

Production of soybeans in the EU25 are slightly increased from earlier forecast, this would be a combination of a bigger area planted with soybeans and a higher than expected yield per hectare. Soybeans are not a very important crop in the EU, and the area planted with soybeans is only about six percent of the area planted with rapeseed, and fifteen percent of the area planted with sunflowers.

Imports of soyoil to the EU25 are expected to be higher than earlier forecast. Two years ago Europe had a surplus of 700,000 MT soyoil. Last year and over the course of the summer of 2006 the EU position changed and is now facing a deficit in soyoil. Imports are increasing strongly. (See table in the section about EU vegetable oil imports).

Much of the crushing capacity in the EU25 is moving toward multiseed crushing rather than specific soybean crushing. This change implies adding an extra treatment that the seeds have to go through before they enter into the existing crushing establishment. Imports and crush of soybeans to the Benelux are expected to decline partly because a lot of capacity will be converted to multiseed crushing starting February 2007.

For many years, soyoil has been used to make biodiesel in Italy. It is also used in an increasing amount in Spain, Portugal, Slovenia, Greece, as well as in France and Germany. The soyoil mainly goes in "summer" biodiesel since it would be too much of a risk in winter because of crystallization. This explains the strong price rise in soyoil in northern Europe since last April.

Imports of US Soybeans

Imports of US soybeans and products have been dramatically low in MY 2005/06. Estimations are that the US share on the EU soyoil market is maximum 15 percent. The U.S. share of the soybeanmeal market via crushing is less than 5 percent and direct soymeal imports from the U.S. are insignificant.

However U.S. soybeans are still strong in the soy food and soy ingredient market in the EU. The share of this market is still growing, mainly because of the high quality specific requests, however it is a tough and competitive market.

Another positive aspect for U.S. soybeans is that imports into the EU have restarted, much earlier than in recent years. There has been an uptake since end of July already, while normally October or in recent years November where more "normal".

Sunflower

EU25 Sunflowerseed (1000MT)						
	2004/05		2005/06		2006/07	
	USDA Official	Posts Estimates	USDA Official	Posts Estimates	USDA Official	Posts Estimates
Calendar Year Begin	07/2004		07/2005		07/2006	
Area	2214	2,206	2,024	2,020	2,250	2,178
Beginning Stocks	447	447	475	655	439	657
Production	4188	4,158	3,724	3,740	3,900	4,000
Extra EU25 imports	692	709	940	850	850	700
TOTAL SUPPLY	**5,327**	**5,314**	**5,139**	**5,245**	**5,189**	**5,357**
Extra EU25 exports	109	77	27	70	50	60
Crush	4163	4,090	4,060	4,018	4,124	4,050
Food Use	168	174	175	180	175	200
Feed, Seed, Waste	437	318	438	320	420	320
TOTAL Use	4,768	4,582	4,673	4,518	4,719	4,570
Ending Stocks	450	655	439	657	420	727
TOTAL DISTRIBUTION	**5,327**	**5,314**	**5,139**	**5,245**	**5,189**	**5,357**

Source: FAS

EU25 Sunflower oil (1000MT)						
	2004/05		2005/06		2006/07	
	USDA Official	Posts Estimates	USDA Official	Posts Estimates	USDA Official	Posts Estimates
Calendar Year Begin	10/2004		10/2005		10/2006	
Crush	4,163	4,090	4,030	4,018	4,350	4,050
Extraction Rate	0.398	0.423	0.397	0.412	0.398	0.422
Beginning Stocks	269	269	234	239	228	228
Production	1,655	1,729	1,602	1,630	1,730	1,750
Extra EU25 imports	887	839	1,275	1,168	1,325	1,150
TOTAL SUPPLY	**2,811**	**2,837**	**3,111**	**3,037**	**3,283**	**3,128**
Extra EU25 exports	119	109	105	99	100	100
Industrial	95	109	95	180	95	230
Food Use	2,363	2,380	2,683	2,530	2,858	2,570
Feed, Seed, Waste	0	-	-	-		-
TOTAL Use	2,458	2,489	2,778	2,710	2,953	2,800
Ending Stocks	234	239	228	228	230	228
TOTAL DISTRIBUTION	**2,811**	**2,837**	**3,111**	**3,037**	**3,283**	**3,128**

Source: FAS

There is a strong increase of imports of sunflower oil, mainly from the Ukraine and from Argentina. Sunflower oil is regarded as high quality oil, for food use, and there is also an increasing demand for sunflower oil for industrial uses, mainly for the biodiesel industry. Sunflower oil is less expensive as rapeseed oil. Currently there is a difference in price of around 170$ per ton between rapeseed oil and sunflowerseed oil.

Hungary
The sunflowerseed harvest in Hungary is at a record high this year and is expected to reach 1.25 million MT, which is above the record harvest of 1.19 million MT in 2004. The area planted with sunflower is about 25 percent above the area in the late 1990s but the necessary demand for crop rotation due to pest accumulation sets a ceiling for further increase of sunflowerseed plantings.

Czech Republic
The Czech sunflowerseed harvest is estimated to reach 105,000 MT. This is an increase of 11 percent from last year. The area planted with sunflower in 2006 was 47,000 ha which represents an increase in area of 17 percent since last year. However the yield per ha was lower in 2006.

Germany
Although official crop estimate for sunflower in Germany do not exist, preliminary planting data suggests a higher acreage than previously expected. Sunflower production estimates are 64,000 MT.

Palm oil

Palm Oil (1000 MT)						
	2003/04		2004/05		2005/06	
	USDA Official	Posts Estimates	USDA Official	Posts Estimates	USDA Official	Posts Estimates
Calendar Year Begin	01/2004		01/2005		01/2006	
Beginning Stocks	198	157	200	184	200	204
Production		0		0	0	0
Extra EU25 imports	3,986	3,900	4,100	4,034	4,600	4,180
TOTAL SUPPLY	**4,184**	**4,057**	**4,300**	**4,218**	**4,800**	**4,384**
Extra EU25 exports	127	105	120	111	120	125
Industrial	1,035	1,138	1,130	966	1,530	1,120
Food Use	2,562	2,372	2,600	2,681	2,700	2,700
Feed, Seed, Waste	260	258	250	256	250	240
TOTAL Use	3,857	3,768	3,980	3,903	4,480	4,060
Ending Stocks	200	184	200	204	200	199
TOTAL DISTRIBUTION	**4,184**	**4,057**	**4,300**	**4,218**	**4,800**	**4,384**

Source: FAS

Import of palm oil is expected to be less sturdy than earlier estimated. Palm oil is the cheapest of the vegetable oils and is imported to the EU to be burned for energy, to replace some of the rapeseed oil that now goes to biofuels, and to be used in biofuels. Some

industry suggests that palm oil will increase in the use of biofuels and represent 20 percent of the raw material for biofuel within five years. However there have been protests in the EU against the use of palm oil in biodiesel. Protesters claim that palm oil is not environmentally friendly because rain forest is being cut down for the plantation of the oil palm.

EU vegetable oil imports

The EU has turned into a major importer of rapeseed oil. Canada and the U.S. are the most important sources for rapeseed oil.

When vegetable oils are imported to the EU they only fall under the GM legislation if they are used for food and feed. Therefore vegetable oils from GM oilseeds can be imported to the EU as long as they are used for industrial purpose.

Soyoil imports are expected to be far larger than previously anticipated this season. Most of the soyoil imports will come from South America. Oil World has reported that EU soyoil imports from third countries will increase sharply and might reach 700,000 tons in 2005/06, up from 191,000 tons in 2004/05.

These charts compare how the imports of vegetable oil to the EU have increased during the first eight months of the last three years.

EU25 Import Statistics
Commodity: 1507**, Soybean Oil**
Jan – Aug 2006

Partner Country	Thousands tons		
	2004	2005	2006
World	46	109	462
Brazil	0	64	340
Argentina	2	1	81

EU25 Import Statistics
Commodity: 1511, **Palm Oil**,
Jan – Aug 2006

Partner Country	Thousands tons		
	2004	2005	2006
World	2,062	2,692	2,627
Indonesia	788	1,016	1,244
Malaysia	902	1,166	987

EU25 Import Statistics
Commodity: 1514, **Rapeseed oil**,
Jan – Aug 2006

Partner Country	Thousands tons		
	2004	2005	2006
World	22	12	346
Canada	2	1	181
United States	10	0	48
China	0	0	33

EU25 Import Statistics
Commodity: 1512**, Sunflower oil**
Jan – Aug 2006

Partner Country	Thousands tons		
	2004	2005	2006
World	384	661	908
Ukraine	162	163	440
Argentina	118	362	230

Source: GTA

Prices

Rapeseed prices have increased contra-seasonally since July and rapeseed has widened its price premium in relation to sunflowerseed and soybeans in the EU.

The higher crop estimate had little effect on rapeseed prices in Germany. However, revised USDA soybean crop estimate resulted in lower oilseeds prices on the world market, which in turn put pressure on rapeseed prices in Germany.

In France, the lower than expected harvest has an impact on prices. Higher prices for rapeseeds are likely to reduce crush margins and biodiesel processors may use a higher share of palm oil and soybean oil than expected, at the expense of rapeseed oil. Despite an increase in rape meal prices, the domestic demand from the animal feed sector remains strong, as wheat prices are currently higher than rape meal prices.

As from 2007, when biodiesel production in the US is expected to have absorbed the surplus soyoil on the world market, it can be expected that as of then soyoil will follow the petrol price just as rapeseed oil does since more than a year.

Biodiesel

The European Union is the biggest producer of biodiesel in the world and biodiesel is the most important biofuel in the EU, representing about 80 percent of the share of biofuels. The largest part of the biodiesel, about 80 percent, is produced from rapeseed. The rest is produced mainly from sunflower oil and soybean oil. The reason for this big share of the market being biodiesel is that the car fleet in the EU is to large extent diesel cars, and there is a diesel deficit. The biodiesel sector has undergone a very rapid growth, with a 28.2 percent annual growth since year 2000.

The European Union counted 20 producer countries of biodiesel in 2005, compared to 11 producer countries in 2004. The biodiesel production was 2.9 million tons in 2005, compared to 1.9 million tons in 2004. This represents a growth of 65 percent in one single year. The largest biodiesel producing MS were Germany, France, and Italy. However, in the future, the EU will not have the capacity to produce enough rapeseed to meet the production capacity, and oilseeds and vegetable oil imports will be important.

The total EU production of biodiesel is expected to grow from 2.9 million tons in 2005 to 6.1 million tons in 2007. The largest growth is expected in Germany, which produced 1.66 million MT in 2005, with biodiesel production estimated at 3 million MT in 2007. The German waiver of the mineral oil tax for biofuels in the past was a major reason for the dynamic growth of the sector. However, with changes in the German tax system, the use and consequently production increase are expected to flatten in the future.

In Germany a nine-cent per liter energy tax on pure biodiesel went into effect in August 2006. Four to five cents of this tax were borne by the consumer through higher biodiesel prices, while biodiesel producers and gas stations pay the rest. In addition, falling crude oil and diesel prices present a stronger competition to biodiesel. As a result biodiesel producers increasingly prefer imported rapeseed oil, which is reportedly 30 Euro per MT cheaper compared to locally produced rapeseed oil.

In the Czech Republic the government currently supports production of biofuels by a tax cut that producers can receive from the Ministry of Agriculture after they prove that rape methyl ester (RME) was used for production of biofuels in the Czech Republic. However, Czech producers prefer to export RME to Germany for a higher price paid immediately rather than much later as a result of complicated administrative procedure. As of next year the situation might be different. Then there will be a mandatory use of biofuels of 5 percent and higher fuel prices for consumers. Even though biofuels are supported in other EU countries, the Czech Minister argues that the EU is turning away from the support (example Germany) and that consumers would pay for producer support in any case, whether it is via taxes by subsidizing production, or via higher prices for the biofuel.

In August 2006, Poland passed its general law on biofuels as well as a related law that identifies the specific government agencies to oversee biofuel production and use. The laws will become effective on January 1, 2007. Experts in Poland believe that Poland will be able to meet the EU goal of 5.75 percent biofuel by 2010.

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